Q2 2026 PRESIDIO-NCM AVERAGE DEALERSHIP PERFORMANCE BENCHMARK

Average dealership profit declines in Q2 against tough 2025 comp as stabilization signs emerge

Average dealership profitability slid from strong 2025 levels that benefited from a tariff-related demand spike, according to the latest Presidio-NCM Average Dealership Performance Benchmark. But several key operating metrics improved from the first to the second quarter, suggesting the industry's prolonged vehicle-margin correction may be stabilizing. Profit growth in fixed operations and finance and insurance helped support earnings, but expenses bear close watching.

- **Gross profit per new vehicle** retailed fell **13.5%** year over year to **$1,840** but improved **3.3%** from first-quarter levels
- **Gross profit per used vehicle** retailed declined **10.0%** year over year to **$1,409** but rose for a second straight quarter to a level in line with the typical average the past few years
- **Finance-and-insurance income** per vehicle retailed rose **4.8%** to **$1,769**
- **Fixed-operations gross profit** increased **5.2%** year over year, generating **52.8%** of total dealership gross profit

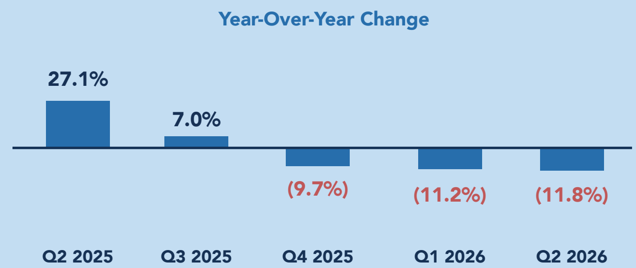
Average dealership profitability declined in the second quarter of 2026 as dealers lapped an unusually strong 2025 comparison while new-vehicle margins slid and expenses rose, according to the latest Presidio-NCM Average Dealership Performance Benchmark. But several indicators improved sequentially, suggesting dealers may be settling into a more normalized post-pandemic operating environment.

Net pretax profit for the average U.S. franchised dealership dropped 11.8% against second-quarter 2025's unusually strong 27.1% gain, which was driven by tariff-related pull-ahead demand and an easy comp to the CDK outage-disrupted 2024 quarter. This year's second quarter was on par with first-quarter 2026's decline of 11.2%.

Declining profits in 2026, weighed down by geopolitical conflict and bumpy consumer confidence, follow last year's first full-year profit gain since 2021. That improvement was aided by unusual market catalysts related to tariff hikes and changes in U.S. electric-vehicle policy.

"Looking beyond the year-over-year comparison reveals

Average Quarterly Change in Dealership Net Pretax Profit



Source: Presidio-NCM Average Dealership Performance Benchmark

Current Snapshot

Here's a quick look at the average dealership performance for Q2 2026 compared with Q2 2025:

Revenue: $22.7M ↑2.9%	**Profit change YOY:** ↓ 11.8%
New vehicles retailed: 228 ↓0.2%	**Gross profit per new vehicle retailed:** $1,840 ↓ 13.5%
Used vehicles retailed: 184 ↓ 2.7%	**Gross profit per used vehicle retailed:** $1,409 ↓ 10.0%
F&I income per retail unit: $1,769 ↑ 4.8%	**Fixed-ops gross profit change YOY:** ↑ 5.2%

Source: Presidio-NCM Average Dealership Performance Benchmark

† Automaker bonuses/incentives from adds and deducts are included in departmental gross; PVR only includes retail units; net profit is pre-LIFO

an industry continuing to adapt as new-vehicle margins fluctuate," said George Karolis, president of The Presidio Group. "Used-vehicle grosses are improving sequentially, F&I reached a new record, and fixed operations delivered another quarter of healthy growth. While inflation continues to pressure expenses, technology innovation and operating process improvement should eventually offer dealers a new frontier for productivity gains."

The Presidio-NCM Average Dealership Performance Benchmark is based on aggregated financial results of more than 4,000 U.S. franchised dealerships of all brands and sizes that work with NCM Associates. The contributing outlets represent nearly a quarter of the 18,000-plus franchised dealerships in the U.S., offering a broad snapshot of industry performance.

"As vehicle margins tighten, the conversation should shift to execution," said Paul Faletti, CEO of NCM Associates. "The dealerships performing best are the ones that understand where their profits are coming from and are intentional about protecting those profit streams while watching costs. Whether it's improving vehicle acquisition efforts and service-lane retention or creating a better customer experience, dealers have many opportunities to strengthen their results."

Vehicle volume declines narrowed in the second quarter, with new-vehicle unit sales down just 0.2% year over year while used-vehicle sales fell 2.7%. Revenue rose 2.9% to $22.7 million per dealership.

Gross profit per new vehicle fell 13.5% to $1,840 from $2,128 a year earlier. For used, it dropped 10.0% to $1,409, down from an unusually strong $1,567 a year earlier. While year-over-year comparisons suggest intense margin pressure, the sequential picture is more encouraging.

"Generally, new and used margins have fluctuated within a reasonable band over the last several quarters," Karolis said.

New and used margins rose from first-quarter levels, as did F&I income. Total front-end yield improved by 5%, or $165 per vehicle, from the first quarter to the second, providing further evidence that earnings may be finding a more stable footing.

A more stable operating environment is meaningful as reduced volatility allows dealers to make inventory, pricing and staffing decisions with greater confidence.

"A key question is where margins go from here and whether the sequential improvements can be sustained," said Kevin Tynan, director of research at The Presidio Group. "New-vehicle stocks are relatively healthy, and automakers have generally remained disciplined with incentives, and those factors appear to be helping. Going forward,

"Technology innovation and operating process improvement should eventually offer dealers a new frontier for productivity gains."

— George Karolis, president of The Presidio Group

operating expenses, inventory levels, incentive activity and dealer discounting are important indicators to watch."

Performance continues to vary by brand segment. Luxury dealerships, which likely benefited most from the year-ago tariff pull-ahead, recorded the largest year-over-year decline, with average pretax profit falling 13.3%. The average import dealership posted a 5.6% drop, while the average domestic store was essentially flat, with a decline of just 0.2%.

Volume trends also varied by segment. New-vehicle sales at luxury dealerships dipped 3.5% year over year, while domestic volume declined 4.5%. Import dealerships, meanwhile, posted new-vehicle sales growth of 5.3%.

Year-over-year margin declines were recorded in all three segments, new and used. Gross profit per new vehicle dropped 19.3% for domestic, 18.4% for import and 6.0% for luxury. Gross profit per used vehicle fell 16.0% for luxury, 11.0% for import and 8.3% for domestic.

Used margins rose sequentially for all three segments. New margins rose sequentially only for import and declined for luxury and domestic.

Finance and insurance once again helped offset year-over-year vehicle margin weakness. F&I income per retail unit increased 4.8% to $1,769 in the second quarter, the highest quarterly number recorded in Presidio-NCM tracking history.

F&I's strength highlights how dealership earnings are increasingly supported by higher-margin business lines. Fixed operations is another. It remains the average store's largest single source of gross profit, generating 52.8% of total gross profit in the second quarter, up from 50.1% a year earlier.

Fixed's gross profit growth slowed early in the quarter but roared back in June for a 5.2% year-over-year full-quarter gain, a meaningful acceleration from the first quarter's more modest 1.4% growth rate.

Warranty activity remained strong, though several customer-pay indicators warrant monitoring. Average hours

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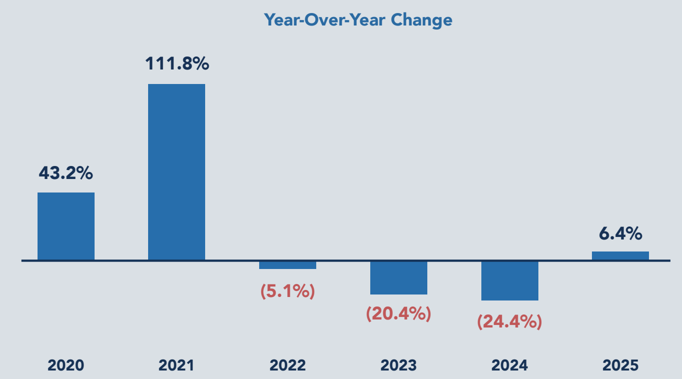
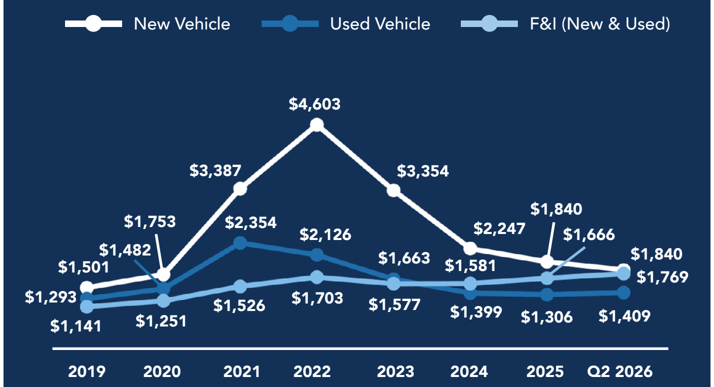
Average Annual Change in Dealership Net Pretax Profit



Source: Presidio-NCM Average Dealership Performance Benchmark

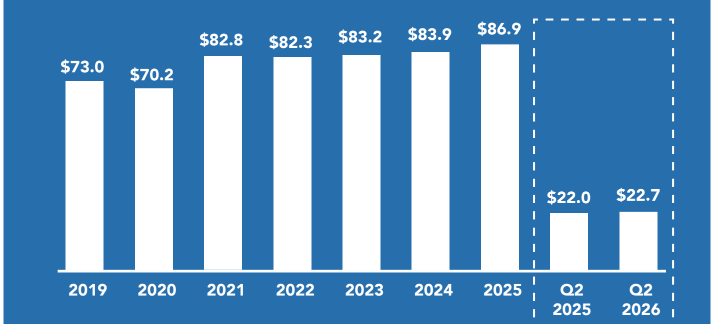
Average Dealership Gross Profit Per-Vehicle Metrics



Source: Presidio-NCM Average Dealership Performance Benchmark

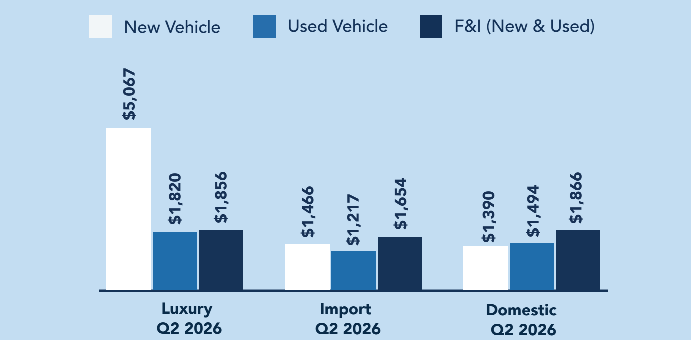
Average Dealership Revenues

($ in millions)



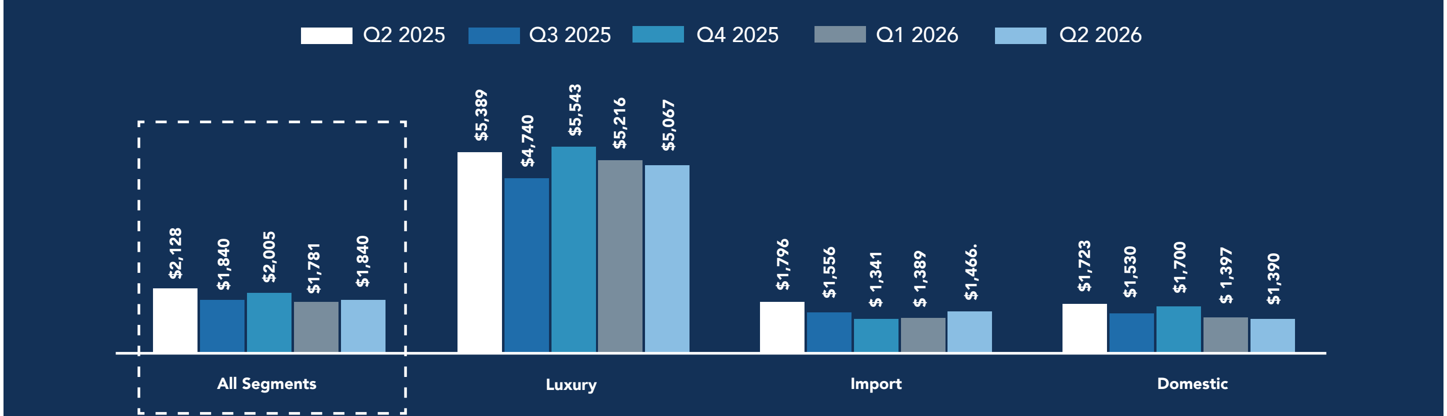
Source: Presidio-NCM Average Dealership Performance Benchmark

Gross Profit Per Vehicle by Brand Segment



Source: Presidio-NCM Average Dealership Performance Benchmark

Average New-Vehicle Gross Profit by Brand Segment



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and revenue per customer-pay repair order are down year-to-date in 2026. Franchised stores' rising labor rates have contributed to higher repair costs for consumers.

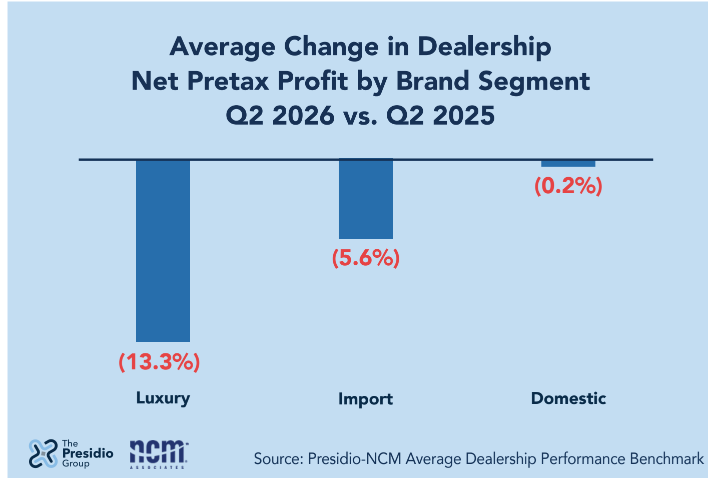
That highlights a growing fixed-ops challenge: retaining customers once vehicle warranties expire. Other industry data providers, including Cox Automotive, have reported that franchised dealerships are losing an increasing share of customer-pay repair work to independent shops.

Expense management remains a significant opportunity as dealerships adapt to a more normalized environment. Personnel expense increased 1.5% in the quarter, expanding to 37.8% of gross profit from 37.2% a year earlier despite widespread industry focus on efficiency initiatives and technology adoption. Advertising expense rose 2.8%, averaging $406 per vehicle.

"Dealers tell us in person and on our recent survey that they're focused on reducing costs and investing in technology to improve productivity and the customer experience, but savings aren't showing up in the numbers yet," Karolis said. "Personnel as a share of gross has ticked up, not down. That suggests the industry hasn't translated its tech and productivity ambitions into actual cost savings yet."

Floorplan interest expense provided one of the few significant offsets to margin pressure, falling 66.2% year over year as lower interest rates continued to benefit dealers.

Even with the second-quarter decline, average dealership profitability remains materially above pre-pandemic levels. Earnings have stepped down from pandemic-era highs, but the average franchised dealership continues to generate substantially stronger profits than it did in 2019.



And while dealership profitability is below 2025's unusually strong level, the second quarter provided several indicators of stabilizing earnings. Looking ahead, the average dealership's profit trajectory will depend on whether sequential vehicle margin stabilization continues, how effectively fixed ops sustains growth and whether dealers can improve expense discipline as the industry adjusts to a more normalized operating environment.

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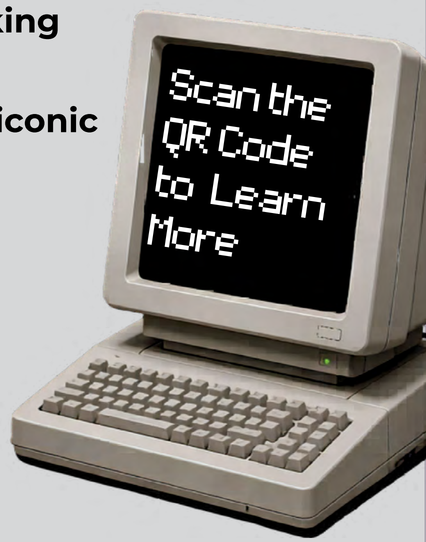

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